STANFORD UNIVERSITY

BUDGET PLAN 2015/16

EXECUTIVE SUMMARY

To The Board of Trustees:

The annual budget process provides an opportunity to assess Stanford's core strengths, to focus on strategic directions, and to provide support for selective initiatives that further our mission of teaching and research. Stanford is in excellent financial condition and continues to benefit from strong investment returns and robust philanthropic results, even though federal research funding remains mixed. This positive financial situation has allowed us to address many of our highest priorities in next year's budget, particularly a competitive salary program, enhancements to the undergraduate financial aid program, support for facilities, and limited investments in new academic programs and services. We are confident that this budget will serve to enhance Stanford's reach while continuing to strengthen our financial underpinnings.

This document presents Stanford's 2015/16 Budget Plan for Trustee approval. The Budget Plan has two parts. The first is the Consolidated Budget for Operations, which includes all of Stanford's anticipated operating revenue and expense for next year. The second is the Capital Budget, which is set in the context of a multi-year Capital Plan. The budgets for Stanford Health Care and the Lucile Packard Children's Hospital, both separate corporations, are not included in this Budget Plan, although they are included in the university's annual financial report.

Some highlights of the Budget Plan:

- The Consolidated Budget for Operations projects a surplus of $127.9 million on $5.5 billion of revenues, $5.1 billion in expenditures, and $231.4 million in transfers. We anticipate revenue to increase 4.3% over the projected 2014/15 year-end results. This is principally due to a 7.6% increase in investment income and a 12.7% Increase in SLAC revenues, moderated by only a 0.5% increase in health care services. The growth in SLAC revenue is due to an increase in construction projects. Growth in health care services is artificially low due to an unanticipated one-time payment of $51 million in 2014/15. We are budgeting a 5.2% increase in expenses.
- The Consolidated Budget includes $1.3 billion in general funds, of which $178.6 million flows to the Graduate School of Business, the School of Medicine, and the Continuing Studies and Summer Session Programs in accordance with previously agreed upon formulas. We anticipate a general funds surplus of $24.9 million, a figure comparable to prior years and one that provides a necessary cushion against revenue fluctuation and gives us the flexibility to address one-time needs throughout the year.
- This Budget Plan also presents the projected 2015/16 results in a format consistent with Generally Accepted Accounting Principles, as reported in the university's annual financial report. The projected Statement of Activities shows a $101.2 million surplus.

- The Capital Budget calls for $774 million in expenditures in 2015/16. These expenditures are in support of a Capital Plan whose projects, when fully completed, will total approximately $2.9 billion. Principal expenditures in 2015/16 will be directed toward:
  - $170 million for Stanford in Redwood City, Phase 1. This is part of a multi-year project to build out an administrative campus in Redwood City at a total cost of $543.7 million.
  - $103.5 million toward the $162 million California Avenue Faculty Homes project.
  - $43.5 million toward the $252.6 million Chemistry, Engineering & Medicine for Human Health (ChEM-H) and the Stanford Neurosciences Institute building.
  - $52.7 million to complete the Highland Hall at the Graduate School of Business.
  - $28.6 million to complete the Science Teaching and Learning Center (formerly Old Chemistry).

STRATEGIC CONTEXT

In developing the budget for 2015/16 we seek to maintain Stanford's considerable programmatic and financial strengths and to build upon them. Retaining our pre-eminent position requires, first and foremost, that we support our faculty, staff, and students, and the facilities where they do their work. While we expect our overall revenue growth to slow slightly in 2015/16 compared to recent years, we anticipate strong growth in our largest revenue source, investment income. This has allowed us to maintain a competitive compensation program for 2015/16, as well as to improve support for facilities. In contrast to the recent past, however, we have had to be more selective in making incremental base general funds allocations for new and enhanced programs.

Non-federal research support continues to comprise an ever-increasing share of university sponsored research. Excluding SLAC, it constituted 26% of total research revenue in 2013/14, up from only 17% in 2005/06. In real terms, non-federal research support has grown 6.7% annually, compared to an annual decline of 0.7% for federal research support. We expect this trend to continue into 2015/16, with the federal component of research increasing over projected 2014/15 levels by just 1.7% and non-federal by 3.6%, resulting in total university research growth of 2.5%. The growth, however, varies considerably across campus, with the School of Medicine anticipating a 3.2% increase, the schools of Humanities and Sciences and Engineering projecting almost no growth, and the Dean of Research expecting a decrease of over 6%.

Some of this year's key budget decisions are:

FINANCIAL AID

We made significant enhancements to the undergraduate financial aid program for 2015/16. We raised the family income level at which parents are not required to contribute to college expenses from $60,000 to $65,000, and we increased the income threshold from $100,000 to $125,000 at which the financial aid program will cover full tuition. Other adjustments were made that will benefit all families who qualify for financial aid. These enhancements add about $5 million to the undergraduate aid program.

FACILITIES

Several new facilities will open, or be in their first full year of operation, in 2015/16. These include the Lathrop Library, the McMurtry Building, the Science Teaching and Learning Center, and the Roble Field Parking Structure. Stanford will incur about $3 million in annual operating costs for these new and renovated structures. In addition, the new Central Energy Facility will be in its first full year of operation. We anticipate a 12.6% drop in campus utility costs in 2015/16 due largely to the substantial write-off in 2014/15 of stranded utility assets associated with the old energy system, the amortization of which will no longer be in the utility charge-out rates. In addition, the new facility is significantly more efficient, lowering our energy consumption, using less water, and requiring less operations and maintenance. Electricity prices are projected to be 19% lower than the current year, due to a very favorable one-year contract; the 2015/16 total electricity price, including transmission fees, is 8% below 2010/11 levels.

HOUSING

Stanford has had very strong housing assistance programs for faculty and has made substantial investments in graduate student housing, both on campus and through off-campus subsidies. However, the robust local economy has made housing very difficult for new faculty recruits, staff, and graduate students. As a result, in 2015/16 we will expand our efforts with purchases of several properties in the local area, which will be rented or leased to faculty and staff. We will also open the California Avenue faculty housing project and expand the rent subsidy program for lower-income faculty in Humanities and Sciences.

ACADEMIC SUPPORT

General funds allocations were made to support teaching and learning activities, notably to fund the new Vice Provost for Teaching and Learning, to support enhanced teaching efforts in Computer Science and Mechanical Engineering, and to provide innovative learning technology in the new McMurtry Building. Allocations were also made to the Faculty Development Initiative and Faculty Incentive Fund, programs that support recruitment of underrepresented minorities, and for incremental faculty salaries to address market and equity issues.

FINANCIAL RESERVES

Stanford has three principal categories of financial reserves:

Expendable reserves – We project Stanford's expendable reserves will stand at $4.0 billion at the end of 2015/16. Of that amount, $2.9 billion is a combination of reserves, restricted and unrestricted expendable funds, and unspent restricted endowment payout. The remaining $1.1 billion is split between plant funds ($1.0 billion) and student loan and agency funds ($118 million). These reserves sit in thousands of funds held across the university, largely controlled by individual faculty members, departments, programs, and schools.

Tier I Buffer – We project the Tier I Buffer will stand at $1.3 billion by the end of 2015/16. The Tier I Buffer consists of unrestricted funds functioning as endowment, the payout from which supports the general funds component of the Consolidated Budget. The majority of the buffer's funds are generated from investment returns on a subset of our expendable reserves. The Tier I Buffer acts as a backstop to maintain the value of those expendable funds, which are invested in the merged pool.

Tier II Buffer – The Tier II Buffer is estimated to be $1.2 billion by the end of 2015/16, which is close to its nominal value before the recession. Like the Tier I Buffer, this fund is generated from excess investment returns from expendable reserves, and is invested as funds functioning as endowment. The payout is used at the discretion of the president. (Further detail on the buffers may be found in Chapter 1 in the Other Investment Income section.)

CONSOLIDATED BUDGET FOR OPERATIONS, 2015/16

[IN MILLIONS OF DOLLARS]

2013/14 ACTUALS	2014/15 BUDGET JUNE 2014	2014/15 PROJECTED ACTUALS		2015/16 CONSOLIDATED BUDGET	CHANGE FROM PROJECTED ACTUALS
			Revenues		
783	820	819	Student Income	849	3.6%
897	915	934	University Sponsored Research	957	2.5%
369	413	451	SLAC	508	12.7%
778	816	959	Health Care Services	964	0.5%
342	315	320	Gifts and Net Assets Released from Restrictions	315	−1.7%
1,217	1,270	1,297	Investment Income	1,395	7.6%
507	551	495	Special Program Fees and Other Income	514	4.0%
4,893	**5,100**	**5,275**	**Total Revenues**	**5,502**	**4.3%**
			Expenses		
2,665	2,840	2,909	Compensation	3,054	5.0%
249	256	264	Financial Aid	281	6.4%
173	183	203	Debt Service	193	−5.1%
1,382	1,442	1,514	Other Operating Expense	1,615	6.7%
4,468	**4,721**	**4,890**	**Total Expenses**	**5,143**	**5.2%**
425	**379**	**385**	**Operating Results**	**359**	
(308)	(219)	(263)	Transfers	(231)	
117	**160**	**122**	**Operating Results after Transfers**	**128**	
2,575	2,702	2,692	Beginning Fund Balances	2,814	
2,692	2,862	2,814	Ending Fund Balances	2,942	

CONSOLIDATED BUDGET FOR OPERATIONS

The table above shows the main revenue and expense line items for 2015/16 and compares those numbers to our current projection of final results for 2014/15. Some highlights of both income and expense follow.

REVENUE

Student Income – This figure is the sum of tuition and room and board income, and is expected to grow by 3.6%. Tuition income is projected to grow 3.6% over the projected 2014/15 actuals as the result of a 3.5% increase in the general undergraduate and graduate tuition rates and a slight growth in the number of students in the School of Medicine and the Graduate School of Business. Room and board income is projected to increase 3.5%, due to an increase in the room rate of 4.4% and an increase in the board plan of 2.2%.

University Sponsored Research – Total sponsored research revenue (excluding SLAC) is expected to grow by only 2.5%. SLAC's revenue will increase by 12.7%, due to an accelerated construction program. When SLAC is included, total sponsored research revenue will increase by 5.8% over 2014/15 projected year-end results.

Health Care Services Income – We project health care services revenue to increase by just 0.5% in 2015/16. This revenue consists principally of payments from the hospitals to the School of Medicine for faculty physician services. This increase is artificially low since the revenue for 2014/15 includes a one-time non-recurring payment of $51 million associated with a change in the professional services agreement between the School of Medicine and Stanford Health Care. Adjusting for that payment yields an underlying increase of 6.2%. Health care services has been the fastest growing element of the Consolidated Budget, with an estimated compound annual growth rate of 10% for the ten years ending in 2015/16.

Expendable Gifts – Revenue from expendable gifts is expected to be essentially flat in 2015/16 over projected results for 2014/15. This is due in part to several unanticipated large pledge payments in 2014/15 that we do not expect to recur. Absent those payments, the underlying growth rate is approximately 4%.

Investment Income – This category consists of income paid out to operations from the endowment ($1,152.4 million) and from other investment income ($242.9 million), the majority of which is payout from the expendable funds pool (EFP). Overall, investment income is expected to be up by 7.6% in 2015/16. Endowment payout is projected to increase by 7.9%, based on the Trustee-approved payout rate and our forecast of approximately $380 million in new gifts and other additions to endowment. Other investment income is expected to be up by 6.1%. This increase is governed by the EFP policy, which uses the prior year's investment return to set most of the payout in the subsequent year. We expect that the returns this year will be adequate to provide full EFP payout in 2015/16.

EXPENSE

Salaries and Benefits – We anticipate total compensation to increase 5.0% over 2014/15 year-end results. The increase is the result of our salary program, a 3.0% overall increase in headcount, and a slight increase in the regular benefits eligible fringe benefits rate.

Financial Aid – The cost of need-based financial aid, athletic aid, and graduate student aid will increase by 6.5%. This increase allows Stanford to expand its generous need-based aid program for undergraduates, particularly for those families with annual incomes below $125,000. It also reflects a 5.1% increase in aid for graduate students, reflecting more generous graduate support in selected disciplines and a slight increase in the number of graduate students.

Other Operating Expenses – This substantial expense item is the amalgam of debt service, graduate stipends, operations and maintenance, utilities, capital equipment, materials and supplies, travel, library materials, subcontracts, and professional services. We project these expenses to grow by 5.3% in 2015/16, due to the significant increase in SLAC construction expenditures, a drop in internal debt service, and lower energy commodity costs. The remaining components of other operating expenses, which comprise 74% of the total, are expected to increase by 3.5%.

SCHOOL INITIATIVES

Stanford's principal academic units, the seven schools, have ambitious agendas for 2015/16. A few highlights of their plans are:

Graduate School of Business (GSB) – The GSB begins the second five years of its 2020 strategic plan with new electives, additional joint degrees, and further expansion in 2015/16 of the highly successful MSx program. The school also plans to continue expanding the international "Ignite" certificate program and to extend the impact of the SEED program in West Africa.

Earth, Energy & Environmental Sciences (SE3) – The school's new name reflects the expanding reach of its research and teaching programs. SE3 hopes to add 10-15 new faculty in the coming decade and is working to secure funding for a new teaching and research facility.

Graduate School of Education (GSE) – In 2015/16, the GSE aims to deepen its more than 100 partnerships with school districts across the country. The school also plans to expand its education leadership programs and will join with the GSB to offer the first Stanford Executive Program for Education Leaders. The GSE is also in the process of planning for a new building that will bring together faculty who are currently housed in six disparate facilities around the campus.

Engineering – The school is nearing the completion of a strategic planning exercise that will help set its directions and budget allocations for the coming decade. In the 2015/16 budget process, the school will focus on its more immediate operational needs. These include support for burgeoning undergraduate enrollments in Computer Science and Mechanical Engineering; the expansion of shared research facilities, particularly in the Stanford Nanofabrication Facility; and needed enhancements to lab safety.

Humanities and Sciences (H&S) – The school has recently experienced remarkable success in faculty recruitment, and as a consequence the faculty has grown over the past two years to entirely replace losses that occurred during the recession. Many of the new positions are at the senior level and have required school reserves to support startup packages. H&S has also invested heavily in the Arts District and the new Biology/Chemistry Precinct, investments that will soon be paying dividends. The school is also focusing on more effective use of its resources for graduate student financial aid.

Law – Like H&S, Law has successfully recruited an exciting group of new faculty to maintain and enhance its reputation. Though the environment for law schools nationally is difficult, the Stanford Law School continues to attract outstanding students who are in great demand by employers. In the coming years the school will continue to enhance its reputation by expanding its clinical and lab programs and by strengthening its focus on international legal education.

Medicine – Despite the decrease in the NIH budget, Stanford Medical School researchers continue to outpace their peers at other institutions in annual research funding. The school's partnership with Stanford Health Care and the Lucile Packard Children's Hospital remains strong, and the focus on precision health will place Stanford Medicine at the forefront of the next generation of medical care.

GENERAL FUNDS BUDGET

A focal point of the budgeting process is the development of the general funds component of the Consolidated Budget. The $1.3 billion in general funds can be used for any university purpose and provides essential funding for all of the core academic and support functions of the university.

As shown in the chart on the next page, the general funds budget will increase by $43.4 million. About half covers inflationary adjustments for salaries, benefits, non-salary costs, and the operating costs of existing facilities. Of the remainder, about two-thirds will go to operations and maintenance, utilities, and debt service on new facilities, and to enhanced undergraduate financial aid. The remaining one-third includes a number of smaller allocations for academic support, faculty support, and student and administrative enhancements, as highlighted below:

Academic and Research Funding – One strategic priority this year was to ensure that important existing programs relying on recurring one-time funds receive permanent general funds. Accordingly, we allocated significant operational support for the Institute for Chemistry, Engineering & Medicine for Human Health (ChEM-H), the Precourt Institute for Energy, and for the new Vice Provost for Teaching and Learning, each of which had been receiving repeated one-time allocations from President's Funds or other sources of one-time funding. Funding was also provided for ongoing support of the Stanford Electronic Research Administrations (SeRa) system and to improve lab safety in the School of Engineering.

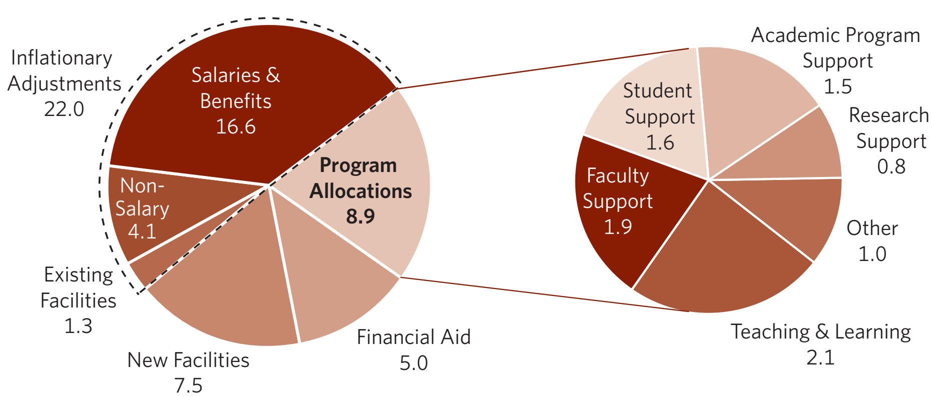
Faculty Support – We continued our investment in the Faculty Incentive Fund and the Faculty Development Initiative to encourage ongoing recruitment of underrepresented minorities and women to the faculty. In addition, we allocated $1 million in three different schools to help recruit and retain faculty, as well as to address faculty salary equity concerns.

Student Support – In addition to the large allocation for undergraduate financial aid, we addressed several issues of graduate student support. Waning federal research funding, particularly in H&S, has jeopardized graduate support. We provided an allocation to Biology to remedy the reduction in a large, long-standing NIH training grant that had been one of the mainstays of graduate funding in that department. We also allocated funds to H&S to secure a pilot program aimed at increasing diversity in the graduate student population. Finally, as mentioned earlier, we provided additional teaching support for two Engineering departments that have seen significant enrollment growth: Computer Science and Mechanical Engineering.

The pie chart below reflects all of the general funds additions. After making these program additions we anticipate a general funds surplus of $24.9 million.

2015/16 GENERAL FUNDS ADDITIONS: $43.4 MILLION

[IN MILLIONS OF DOLLARS]



CAPITAL BUDGET AND PLAN

The Capital Budget and three-year Capital Plan are based on a projection of the major capital projects that the university intends to pursue to further its academic mission. The three-year Capital Plan spans 2015/16 through 2017/18; the Capital Budget represents anticipated capital expenditures in the first year of the plan. The three-year plan includes projects that were initiated prior to 2015/16, as well as projects that will commence within the rolling three-year period through 2017/18. The Capital Budget and Capital Plan are subject to change based on funding availability, budget affordability, and evolving university priorities.

We are forecasting a 2015/16 Capital Budget of $774 million. The major projects within the Capital Budget include $170 million in initial funding for Stanford in Redwood City, $103.5 million for the California Avenue Faculty Homes, $43.5 million for ChEM-H and the Stanford Neurosciences Institute building, and $13.3 million for the Bass Biology Research Building, among other projects.

The three-year Capital Plan includes $2.9 billion in construction and infrastructure projects and programs. The projects noted above comprise the bulk of the Plan, but it also includes a number of smaller projects and 10 infrastructure programs.

ACKNOWLEDGEMENTS

The Budget Plan is the product of a great deal of work on the part of managers and budget officers at every level of the university. I would like to begin by acknowledging the budget officers and leadership in the schools and administrative units for their efforts in support of the budget process. I am particularly grateful to the leadership of the schools for making a concerted effort to fund new initiatives first out of restricted, school-controlled funds, and only secondarily asking for general funds supplementation when these funds fall short.

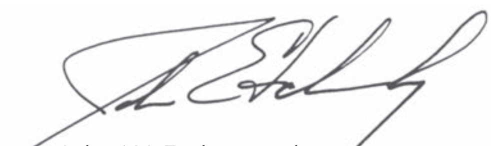
As always, I am extremely grateful to two hardworking advisory groups that assist me in formulating the general funds budget and capital plan. The University Budget Group consists of Margaret Brandeau (on leave in 2014/15), Adam Daniel, Harry Elam, Andrea Goldsmith, Judy Goldstein, Patti Gumport, Neil Hamilton, Rosemary Knight, Randy Livingston, Maureen McNichols, Kam Moler, Dana Shelley, George Triantis, and Tim Warner. Judy Goldstein (Political Science) and George Triantis (Law) joined the group this year, replacing Bob Simoni and Buzz Thompson, longstanding members who cycled off after many years of service. This group met from late September through March, often twice a week, to review submissions and requests from the various budget units and to advise me on the final allocations of general funds. Staff support for the Budget Group, and for the creation of this document, is provided by the Budget Office staff, consisting of Kayte Bishop, Jacy Crapps, Neil Hamilton, Betsy Lewis, Mike Ling, Serena Rao, Mark Rickey, and Dana Shelley, under the able leadership of Tim Warner.

The Capital Planning Group consists of Jack Cleary, Megan Davis, Alise Johnson, Stephanie Kalfayan, Dave Lenox, Bob Reidy, Craig Tanaka, Bob Tatum and Tim Warner. Craig and Alise guide the capital planning process with remarkable efficiency, while Megan tracks all financial aspects of the plan and supervises the final write-up in Chapter 4 of this document.

REQUESTED APPROVAL AND ORGANIZATION OF THIS DOCUMENT

The Budget Plan provides a university-level perspective on Stanford's programmatic and financial plans for 2015/16. We seek approval of the planning directions, the principal assumptions, and the high-level supporting budgets contained herein. As the year unfolds, we will provide periodic variance reports on the progress of actual expenses against the budget. In addition, we will bring forward individual capital projects for approval under normal Board of Trustees guidelines.

This document contains four chapters and two appendices. Following the overview of budgeting at Stanford, Chapter 1 describes the financial elements of the plan, including details of the Consolidated Budget for Operations and the projected Statement of Activities for 2015/16. Chapter 2 addresses program directions in the academic areas of the university. Chapter 3 provides a similar view of the administrative and auxiliary units. Chapter 4 contains details on the Capital Budget for 2015/16 and the Capital Plan for 2015/16–2017/18. The appendices include budgets for the major academic units and supplementary financial information.



John W. Etchemendy
Provost
June 2015

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INTRODUCTION: BUDGETING AT STANFORD

Budgeting at Stanford is a continuous process that takes place throughout the year and occurs at nearly every level within the university. The cycle starts with planning that considers programmatic needs and initiatives, continues with the establishment of cost drivers such as the approved salary program and fringe benefits rates, and is tempered by available funding sources. Stanford's "budget" is an amalgamation of thousands of smaller budgets, including everything from an individual faculty member's budget for a sponsored grant from the National Institutes of Health, to the budget for the Department of Psychology, to the budget for the School of Engineering, to the total of the Consolidated Budget for Operations. These budgets are created and managed by the areas that are governed by them, with oversight by the provost, the chief budget officer of the university. There are general principles and guidelines to which the budgets must adhere, but schools and other units are allowed tremendous freedom in the development and execution of their budgets.

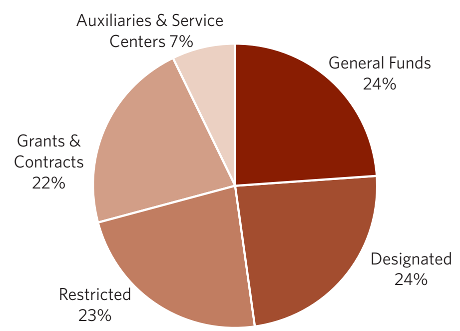
Fund Accounting

Stanford's budgets are developed and managed according to the principles of fund accounting. Revenue is segregated into a variety of fund types, and the use of the revenue is governed by the restrictions of the fund. For example, each expendable gift is put into an individual fund, and the recipient must use the funds in accordance with the wishes of the donor. Gifts of endowment are also put into separate funds, but the corpus itself is not usually spent. An annual payout on the endowment fund is spent, and as with gift funds, only in accordance with the restrictions imposed by the donor. The segregation of each gift allows the university to ensure that the funds are spent appropriately and to report to donors on the activities that their funds support. Monies received from government agencies, foundations, or other outside sponsors are also deposited in separate, individual funds to ensure strict adherence to the terms of the grants and/or contracts that govern the use of the funds. Non-gift and non-sponsored research revenue also reside in funds, but this type of revenue may be commingled in a single fund. Departments may choose to combine unrestricted monies into separate funds for a particular program, for a capital project, or to create a reserve. Stanford's consolidated revenues by fund type are shown at the right.

Budget Management

At the end of fiscal year 2013/14, Stanford had roughly 20,000 active expendable funds (with balances) and more than 7,500 endowment funds. So how does Stanford budget and manage all these funds? It goes without saying that the university uses a sophisticated financial accounting system to set up the individual funds, to record each financial transaction, and to track fund balances. But nearly all of the decision-making for the use of Stanford's funds

2015/16 CONSOLIDATED REVENUES BY FUND TYPE



is made at the local level, consistent with the decentralized and entrepreneurial spirit of the university. Unlike a corporation, Stanford is closer to a collection of disparate, autonomous businesses with widely varying cost structures and resources. As such, each principal investigator is accountable for the responsible use of his/her grant funding, each gift recipient must ensure that the gift funds are used in accordance with the donor's wishes, and each school must fulfill the expectations for teaching and scholarship within its available resources. Schedule 21 in Appendix B shows expendable fund balances by academic unit and by level of control.

Budget Control

The primary control on local unit budgets at Stanford is available funding. Except for general oversight and policies governing the appropriate and prudent use of university funds, the central administration does not place additional limits on spending. For example, if a faculty member needs to hire a postdoctoral fellow to help carry out a particular research project, and if grant funding is secured to cover this expense, the university does not second-guess this decision. Conversely, two important budget matters are controlled centrally: faculty billets and space.

Because the majority of Stanford's funding is under the direct control of a faculty member, a department, or a school, these entities are able to support programs as long as they maintain a positive fund balance. This, however, does not mean that the programs must operate with a surplus during any particular fiscal year. In fact, a "deficit" is usually reflective of a planned use of prior year fund balances. A simple example of this is when a department receives a gift of $5.0 million to be spent over five years. If the funds are spent evenly over the time period, the program will show a surplus of $4.0 million in the first year and will generate an ending fund balance of $4.0 million. In each of the next four years, this program will receive no revenue, will expend $1.0 million dollars, and will thus generate an annual deficit of $1.0 million while drawing down the fund balance of the gift.

The Consolidated Budget for Operations, the aggregate of all of Stanford's smaller budgets, is therefore not centrally managed in the corporate sense. Nonetheless, a great deal of planning goes into the development of the individual unit budgets that aggregate into the Consolidated Budget of the university.

Development of the Consolidated Budget and the Role of General Funds

Another key element in the development of the units' budgets and the Consolidated Budget are university general funds, which are funds that can be used for any university purpose. General funds play a particularly important role in the overall budget, because they cover many expenses for which it is difficult to raise restricted funds, such as administration and campus maintenance. The main sources of general funds are tuition income, indirect cost recovery, unrestricted endowment income, and income from the expendable funds pool.

Each school and administrative unit receives general funds in support of both academic and administrative functions. The process for allocating general funds is controlled by the provost and aided by the Budget Group, which includes representation from both faculty and administration.

The critical elements of the process are a forecast of available general funds, a thorough review of each unit's programmatic plans and available local funding, and an assessment of central university obligations such as building maintenance and debt service. Balancing the needs and the resources is the ultimate goal of the Budget Group. The general funds allocation process is described in more depth in Chapter 1.